

NEWCORP, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-25-07

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Member
American Institute of
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Society of Louisiana
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of **Newcorp, Inc.** (a non-profit organization) as of December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **Newcorp Inc.**'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to audit certain other liabilities as a result of supporting documentation being unavailable for review.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about certain amounts recorded as notes payable, the financial statements referred in the first paragraph present fairly, in all material respects, the financial position of **Newcorp, Inc.** as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2007, on our consideration of Newcorp, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Newcorp, Inc. taken as a whole. The supplemental information included in the report (shown on page 13) is presented for the purpose of additional analysis and is not a required part of the financial statements of Newcorp, Inc. The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 30, 2007

NEWCORP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005

ASSETS

Cash and cash equivalents (NOTE 2)	\$ 795,771
Grant receivable	28,530
Certificates of deposit (NOTE 6)	8,415
Investments (NOTE 4)	56,936
Loans receivables net of allowance for loan loss of \$589,515 (NOTE 2 and 3)	55,707
Furniture, equipment and software net of accumulated depreciation of \$102,772 (NOTES 2 and 5)	<u>18,295</u>
Total assets	<u>\$ 963,654</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 3,649
Payroll taxes payable	607
Notes payable (NOTE 7)	301,859
Other liabilities	<u>687,053</u>
Total liabilities	<u>993,168</u>
Net Assets (NOTE 2):	
Unrestricted	<u>(29,514)</u>
Total net assets	<u>(29,514)</u>
Total liabilities and net assets	<u>\$ 963,654</u>

The accompanying notes are an integral part of these financial statements.

NEWCORP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Revenues and Support:

Cooperative endeavor agreement (NOTE 9)	\$ 22,033
Grant revenue (NOTE 10)	37,637
SBA intermediaries and loan fees	6,762
Interest income	2,884
Loan interest income	18,558
Unrealized gain on investments (NOTE 4)	1,878
Other income	<u>10,428</u>

Total revenues and support	<u>100,180</u>
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Expenses:

Program services	178,011
Support services	<u>594,595</u>

Total expenses	<u>772,606</u>
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Change in net assets	<u>(672,426)</u>
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Net Assets:

Beginning of year	<u>642,912</u>
End of year	\$ <u>(29,514)</u>

The accompanying notes are an integral part of these financial statements.

NEWCORP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (672,426)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	26,062
Decrease in Prepaid Rent	500
Unrealized gain on investment	(1,878)
Increase in allowance for uncollectible loans	469,941
Increase in grant receivable	(55,855)
Increase in outstanding loans receivable	2,503
Decrease in accrued expenses	(13,380)
Increase in loan loss reserve	<u>(15,430)</u>
Increase in TANF revolving loan fund	
Net cash used in operating activities	<u>(259,963)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	<u>75,422</u>
Net cash provided by investing activities	<u>75,422</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issued notes payable	<u>669,171</u>
Net cash provided by financing activities	<u>669,171</u>
Net increase in cash and cash equivalents	484,630
Cash - January 1, 2005	<u>311,141</u>
Cash - December 31, 2005	\$ <u>795,771</u>
Interest paid in cash	\$ <u>7,005</u>

The accompanying notes are an integral part of these financial statements.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization

Newcorp, Inc. is a non-profit organization, which serves as a small business development center whose primary focus is to fund, enhance, stimulate, and facilitate economic opportunity for the disadvantaged business community in the State of Louisiana by providing access to capital and technical assistance primarily to help increase wealth in depressed communities.

Financial Statement Presentation

Newcorp, Inc. has adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations", which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **Newcorp, Inc.** are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions (capital improvements, etc.) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At December 31, 2005, **Newcorp, Inc.** did not have any temporarily or permanently restricted net assets.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash Equivalents

For purposes of the statement of cash flows, Newcorp, Inc. considers all investments purchased with a maturity of three months or less to be cash equivalents.

Allowance for Loan Losses

Allowances for estimated losses on loans are provided when in the opinion of management; such losses are expected to be incurred. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly.

Revenue Recognition

Newcorp, Inc. recognizes all interest as income in the period earned.

Furniture, Equipment, and Capitalized Software Costs

Furniture and equipment are recorded at cost (or fair market value for donated assets) and are depreciated using the straight-line method over the estimated useful lives of the related assets, which vary from three to five years.

Income Taxes

Newcorp, Inc. is a tax exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Institutions

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 3 - Loans Receivable

At December 31, 2005, amounts included in loans receivable were as follows:

Newcorp Direct Loans	\$ 176,285
Cooperative Endeavor Agreement Loan Program	109,714
TANF Loan Program	167,633
SBA Loan Program	<u>191,590</u>
 Total Loans Receivable	 645,222
 Less: Allowance for loan loss	 (589,515)
 Loans Receivable, net	 \$ <u>55,707</u>

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Investments

Newcorp Inc.'s investment portfolio consists mainly of mutual funds and money market accounts. Investments are stated at fair value and are summarized as follows at December 31, 2005:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual funds	\$53,695	\$56,936	\$56,936

Unrealized gains on investments totaled \$1,878, at December 31, 2005.

NOTE 5 - Fixed Assets

Changes in the net book value of office furniture, computer equipment, and capitalized software costs during the year ended December 31, 2005 were as follows:

<u>Description</u>	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Accumulated Depreciation/Amortization</u>	<u>Balance December 31, 2005</u>
Furniture	\$ 5,771	\$ -0-	\$ (5,771)	\$ -0-
Computer equipment	39,475	-0-	(34,206)	5,269
Computer software	<u>75,821</u>	<u>-0-</u>	<u>(62,795)</u>	<u>13,026</u>
Total	<u>\$121,067</u>	<u>\$ -0-</u>	<u>\$(102,772)</u>	<u>\$18,295</u>

Depreciation/amortization expense was \$26,062 for the year ended December 31, 2005.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Certificate of Deposit Held in Escrow

Newcorp, Inc. has entered into an agreement with a financial institution to provide loans to participants of Newcorp's Direct Loan Program. The agreement provides that Newcorp, Inc. set up an escrow account to guarantee 80% of the loan balance. At December 31, 2005, there was one (1) loan outstanding totaling \$3,676 at the financial institution that was collateralized. At December 31, 2005, the certificate of deposit had a value of \$8,415.

NOTE 7 - Notes Payable

Newcorp, Inc. had outstanding notes payable as of December 31, 2005 totaling \$301,859 as follows:

Newcorp, Inc. was approved to receive a loan under the U.S. Small Business Administration (SBA) Micro loan Program in the amount of \$250,000. The loan is to be repaid in ten years at interest rates ranging from 2.375% to 4.375%. No payments are required during the first twelve months from the date of the note. The proceeds from the loan are to be utilized to award micro loans to eligible small businesses. As of December 31, 2005, Newcorp, Inc. has disbursed \$296,888 to small businesses as micro loans from the SBA loan funds. As of December 31, 2005, Newcorp, Inc. has an outstanding balance of \$201,859 on the note due to the SBA.

Newcorp, Inc. received a loan from a local bank in the amount of \$100,000. The loan is to be repaid in ten years at an interest rate of 2.000%. Interest only payments are required to be made on an annual basis beginning June 25, 2003. The proceeds from the loan are to be utilized to award micro loans to eligible small businesses. As of December 31, 2005, Newcorp, Inc. has disbursed \$81,936 to small businesses as micro loans from the loan funds. As of December 31, 2005, Newcorp, Inc. has an outstanding balance of \$100,000 due to the local bank.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - TANF Revolving Loan Fund

Newcorp, Inc. was awarded a grant through the State of Louisiana, Department of Economic Development- TANF Micro lending Initiative, to make and service loans to TANF eligible clients that have completed entrepreneurial training and/or one on one technical assistance. All principal payments are placed back into the revolving loan fund, while the interest reverts to Newcorp, Inc. The total outstanding TANF revolving loan fund balance totaled \$1,497 at December 31, 2005.

NOTE 9 - Cooperative Endeavor Agreement / Loan Loss Reserve

Newcorp, Inc. entered into a Cooperative Endeavor Agreement with the State of Louisiana, Department of Economic Development, to administer funds to assist to bring a large scale business to New Orleans East as well as to deploy funds through business loans for startups/franchises and small businesses in New Orleans East. The agreement allocated funds to be placed in a loan loss reserve fund to protect the investment of the district for those loans that might default. The total balance of funds in the loan loss reserve fund totaled \$-0- at December 31, 2005. All principal and interest payments will be placed into Newcorp's Direct loan fund for future loans to Newcorp eligible recipients. The total outstanding balance of loans made in conjunction with the Cooperative Endeavor Agreement totaled \$107,548, the total amount disbursed to assist with the large scale business project totaled \$200,000, and the total amount drawn down for the administration of the Cooperative Endeavor Agreement totaled \$22,033 for a total draw down amount of \$377,316 at December 31, 2005.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Contingency

Newcorp, Inc. is the recipient of grant funds from various sources. The grants are governed by various guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of **Newcorp, Inc.** and are subject to audit and/or review by the applicable funding sources. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

SUPPLEMENTARY INFORMATION

NEWCORP, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries and payroll taxes	\$ 53,905	\$ 80,856	\$134,761
Retirement	284	426	710
Health insurance	9,542	14,313	23,855
Rent	3,702	5,554	9,256
Client support	1,162	1,162	2,324
Depreciation/amortization	19,546	6,516	26,062
Parking	-0-	832	832
Professional services	44,906	3,380	48,286
Marketing	1,452	-0-	1,452
Insurance	-0-	945	945
Bank fees	-0-	539	539
Postage	586	586	1,172
Telephone	1,066	1,066	2,132
Cellular telephone	-0-	1,254	1,254
Dues and subscriptions	2,002	-0-	2,002
Travel	10,578	-0-	10,578
Internet expenses	560	-0-	560
Office supplies	-0-	2,916	2,916
Interest expense	7,005	-0-	7,005
Board meeting expense	-0-	490	490
EDF grant expense	2,600	-0-	2,600
Cooperative endeavor agreement	19,115	-0-	19,115
Bad debt expense	-0-	469,941	469,941
Miscellaneous expense	<u>-0-</u>	<u>3,819</u>	<u>3,819</u>
Total expenses	<u>\$178,011</u>	<u>\$594,595</u>	<u>\$772,606</u>

See Independent Auditors' Report on Supplemental Information.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

We have audited the financial statements of **Newcorp, Inc.** as of and for the year ended December 31, 2005 and have issued our report thereon dated March 30, 2007, which was qualified as a result of notes payable not being able to be audited due to the destruction of supporting documentation as a result of Hurricane Katrina. Except as discussed in the proceeding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Newcorp, Inc.**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **Newcorp, Inc.**'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01 and 2005-02.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Internal Control Over Financial Reporting, (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider audit findings 2005-01 and 2005-02 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Newcorp, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of compliance disclosed instances of non-compliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2005-01 and 2005-02.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

We also noted certain immaterial instances of noncompliance that we have reported to management of Newcorp, Inc. in a separate letter dated March 30, 2007.

This report is intended solely for the information and use of Newcorp, Inc.'s Board, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 30, 2007

NEWCORP, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

We have audited the financial statements of Newcorp, Inc. as of and for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audits of the financial statements as of December 31, 2005 resulted in a qualified opinion.

Section I – Summary of Auditor's Reports

- | | | |
|----|--|----------------|
| A. | Report on Internal Control and Compliance Material to the Financial Statements | |
| | Internal Control | |
| | Material Weaknesses/Reportable Conditions | - Yes |
| | Compliance | |
| | Compliance Material to Financial Statements | - No |
| B. | Federal Awards | Not Applicable |
| C. | Identification of Major Programs | Not Applicable |

NEWCORP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

COMPLIANCE

Audit Finding Reference Number

2005-01 - Destruction of Records

Condition and Perspective

As a result of Hurricane Katrina which occurred August 29, 2005, according to management of Newcorp, Inc. suffered wind and water damage, which destroyed records, and resulted in the building being uninhabitable. As a result, certain supporting documentation and grant agreements that are essential to the operations of Newcorp could not be located.

Recommendation

We recommend that management of Newcorp, Inc. take the necessary steps to obtain copies of the missing agreements.

We also recommend that management of Newcorp, Inc. take immediate steps to evaluate the organization's disaster recovery plan to ensure that records and supporting documentation are properly safeguarded.

NEWCORP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Finding Reference Number (Continued)

2005-02 - Financial Management System

Criteria

OMB Circular A-110 specifies that financial management systems must be maintained in accordance with certain standards.

Conditions and Perspective

During our audit, we noted that management of **Newcorp, Inc.** did not consistently adhere to established accounting procedures and ensure that accounting records and general ledger accounts were reconciled and reviewed on a timely basis. We also noted the following with regard to the financial statements:

- Prior year's adjusting journal entries were not recorded in the general ledger;
- Dividends, realized gains and losses, and unrealized gains and losses were not recorded in the general ledger, instead amounts were netted together;
- Bank accounts were not reconciled on a timely basis;
- Loan payments were not recorded in the subsidiary receivable ledger system on a timely basis and reconciled to the general ledger; and

NEWCORP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Finding Reference Number (Continued)

2005-02 - Financial Management System, Continued

- **Newcorp, Inc.** set up an escrow account to guarantee loan balances of participants at a financial institution. At December 31, 2005, there was one (1) loan outstanding which totaled \$3,676, **Newcorp, Inc.** was unable to provide supporting documentation on the status of the loan or the status of the certificate of deposit, which had a value \$8,415 at December 31, 2006.

The aforementioned conditions resulted in the audit report not being submitted on a more timely basis.

Recommendation

Again, we recommend that management of **NEWCORP, Inc.** adhere to established procedures and ensure that accounting records are properly maintained, reconciled, and reviewed by management on a timely basis. We further recommend that management immediately take the necessary actions to ensure that the December 31, 2006 audit is issued by the statutory due date of June 30, 2007.

NEWCORP, INC.
DECEMBER 31, 2005

EXIT CONFERENCE

An exit conference was held with the following individuals:

NEWCORP, INC.

Ms. Vaughn Fauria	-	Executive Director
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BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	-	Managing Partner
Mr. Sean M. Bruno, CPA	-	Manager

The audit report was discussed. This report is intended solely for the information and use of the Board of Directors, management and the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.



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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

We have audited the financial statements of **Newcorp, Inc.** for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2007.

In planning and performing our audit of the financial statements, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Also, we have reviewed Management's Corrective Action Plan with regard to our December 31, 2004 management letter. The current status of the December 31, 2004 conditions have been summarized in the accompanying memorandum.

This letter does not affect our report dated March 30, 2007 on the financial statements of **Newcorp, Inc.**

NEWCORP, INC.
CURRENT YEAR MANAGEMENT LETTER COMMENTS

05-01 COOPERATIVE ENDEAVOR AGREEMENT

As noted in the prior year, we noted that **Newcorp, Inc.** entered into a cooperative endeavor agreement with the State of Louisiana – Department of Economic Development.

The agreement involved the bringing a large scale business to New Orleans East and to deploy funds earmarked for loans to small businesses in the New Orleans East area. Although, the agreement calls for the deployment of funds for the infrastructure improvements for certain parcels of land on the I-10 Service Road in New Orleans East for the construction of a large scale business, yet per discussion with management of **Newcorp, Inc.** and representatives from the Louisiana Department of Economic Development, the intent of the agreement was to have infrastructure work done on land owned by a private owner and in return the private owner will transfer another parcel of land for the construction of a large scale business. During our audit we noted that, **Newcorp, Inc.** monitored infrastructure work in accordance with the cooperative endeavor agreement. As of the date of this report we were unable to determine if the aforementioned land had been transferred.

With respect to the loans to small businesses, the agreement failed to specify the manner in which principal and interest payments are to be handled when repaid by loan recipients. As a result of Hurricane Katrina, **Newcorp, Inc.** has determined that the loans that have been disbursed are uncollectible, and as such an allowance has been recorded for the total outstanding balance of the loans. There remains a balance in the loan loss reserve account, with no indication from the State on how to proceed with the program.

We recommend that management of **Newcorp Inc.** take immediate steps to clarify the terms of the contractual agreements with the State of Louisiana – Department of Economic Development.

NEWCORP, INC.
CURRENT YEAR MANAGEMENT LETTER COMMENTS

05-02 Allowance for Doubtful Accounts

As a result of Hurricane Katrina, management of Newcorp, Inc. has determined that the vast majority of its loan portfolio is deemed uncollectible and as a result of not being able to contact the loan recipients, an allowance for bad debts has been recorded.

We recommend that management take immediate steps to determine if the loan recipients have been affected by the Hurricane and whether or not insurance or other proceeds are available for the repayment of the loans. With a majority of the proceeds that were utilized to fund the loan programs being from either the State of Louisiana or the Federal Government, we further recommend that Newcorp contact the funding sources and obtain a recommendation on how to proceed.

NEWCORP, INC.
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

04-01 FINANCIAL STATEMENTS

We noted the following conditions during our audit of **Newcorp, Inc.**:

- Three (3) out of ten (10) bank reconciliations tested had account balances that did not reconcile to amounts per the general ledger; and
- One (1) out of two (2) loan receivable account balances per the general ledger did agree with amounts per the subsidiary ledgers.

We recommend that management of **Newcorp Inc.** take immediate steps to correct the noted deficiencies.

CURRENT STATUS

Unresolved. See current year Financial Statement Finding 2005-02

04-02 COOPERATIVE ENDEAVOR AGREEMENT

We recommend that management of **Newcorp Inc.** take immediate steps to clarify the terms of the contractual agreements with the State of Louisiana – Department of Economic Development.

CURRENT STATUS

Unresolved. See current year management letter comment 05-01.

04-03 MICROLOAN PROGRAM

We recommend that the services of a collection agency be utilized to attempt to recoup the loss funds from the defaulted participant.

CURRENT STATUS

Unresolved. See management letter comment 05-02.

NEWCORP, INC.
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

04-04 LATE SUBMISSION OF AUDIT REPORT

As a result of the above noted management letter comments and communications between Newcorp, Inc. and the State of Louisiana – Department of Economic Development regarding the terms of the Cooperative Endeavor Agreement, the issuance of the audit report was delayed past the statutory state requirement.

We recommend that management take the necessary steps to ensure that all future audit reports are issued within the statutory required deadline.

CURRENT STATUS

Unresolved. See current year finding 2005-02.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel of Newcorp, Inc., and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors, management and State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 30, 2007

NEW CORP

Newcorp Business Assistance Center

April 5, 2007

Bruno & Tervalon
4298 Elysian Fields
New Orleans, LA
70119

Dear Sean Bruno,

Please find below the responses to the findings and management letter comments.

Findings

2005-01 Destruction of Records

Managements Response

NewCorp has initiated the request for documentation from all of its funding sources and with whom it does business. NewCorp has contractual agreements with the city, state and federal governments. The city government has not been able to provide NewCorp any agreements, or clarity on any information relative to the agreements due to their having suffered devastation as well. Additionally, in NewCorp's effort to mitigate the possibility of this type of situation NewCorp had implemented a disaster recovery system. That site too had suffered damage to extensive to use.

2005-02 Financial Management System

Prior to the events of the Hurricane NewCorp had in place a procedure/process that allowed management and the Board, ability to review financial information. Since the storm NewCorp has lost all of its key members of staff. Due to lack of funding, and the lack of a readily experienced workforce, NewCorp was prohibited from hiring key personnel. NewCorp focused on its primary mission, the revitalization of small business in the New Orleans area. NewCorp is in a state of rebuilding and has since hired an accountant (CPA) who is implementing some new procedures and tightening the oversight on the existing procedures to insure that this will not be a lasting condition.

Management Letter Comments

2005-01 Cooperative Endeavor Agreement

NewCorp has already sent an inquiry to the State to obtain copies of all contracts and cooperative endeavor agreements that were between NewCorp and the State of Louisiana.

05-02 Allowance for Doubtful Accounts

NewCorp has tried to contact all of it's loan recipients in attempts to collect on past due loan principle and interest. NewCorp has also billed the clients with little success. While NewCorp will continue to try and collect it does not want to suffer those who have suffered so greatly. NewCorp does however want to spend it's energy and resources on the resurgence of the small businesses to the New Orleans area. Furthermore, management has rekindled its relationship with Equifax (a credit rating company) in attempts to have loans made to lower risk businesses.

Sincerely,

Vaughn R. Fauria
Chief Executive Officer

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